

VZCZCXRO7862  
OO RUEHAG RUEHBC RUEHDE RUEHKUK RUEHMOS  
DE RUEHDM #1782/01 1091400  
ZNY CCCCC ZZH  
O 191400Z APR 06  
FM AMEMBASSY DAMASCUS  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8421  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE  
RUCNMEM/EU MEMBER STATES COLLECTIVE IMMEDIATE  
RUEHAK/AMEMBASSY ANKARA IMMEDIATE 4340  
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0903  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 DAMASCUS 001782

SIPDIS

SIPDIS

ELA/NEA  
TREASURY FOR GLASER/SZUBIN/LEBENSON  
NSC FOR ABRAMS/DORAN/SINGH  
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 04/19/2016  
TAGS: [ECON](#) [ETRD](#) [ETTC](#) [SY](#)  
SUBJECT: LIMITED ECONOMIC DEVELOPMENT OBSERVED IN SYRIA'S  
NORTHEAST

REF: A. 05 DMS 5373

[1](#)B. 05 DMS 6439

[1](#)C. 05 DMS 5788

Classified By: CDA Stephen Seche, reasons 1.4 b/d.

[1](#)1. (C) Summary: In conjunction with export license checks, econoffs visited Dayr ez Zawr (Dayr) and Qamishli, key cities close to Syria's border with Iraq. Residents in these two areas have historically maintained stronger cultural, ethnic, familial, and economic ties to Iraq than to Syria's capital. Contacts in both cities discussed the region's limited infrastructure, lack of basic services, and isolation from the political and economic centers of Damascus and Aleppo, which all have contributed to lagging economic development. Many contacts expressed a lack of faith in the SARG's willingness or ability to positively influence private sector development in the region, or to combat high unemployment and low job creation rates. Though Qamishli, unlike Dayr, has capitalized on remittances and tourism dollars, economic development in both cities remains limited. Despite the lack of development, contacts in both Dayr and Qamishli still appear content with the economic status quo, in Dayr because of low economic expectations, and in Qamishli because the economic advancement of the growing Kurdish population has not yet threatened the minority Christians' economic dominance. As general economic conditions in Syria worsen, however, the status quo in Dayr and Qamishli may become increasingly untenable. End summary.

-----  
Plans to Develop the Northeast?  
-----

[1](#)2. (C) Econoffs met with business contacts from the tourism, foodstuff manufacturing, and agricultural sectors during a four-day visit in early April to Dayr ez Zawr and Qamishli. These areas in Syria's northeast are two of the poorest in the country, and face significant development challenges - extreme poverty, illiteracy, high infant mortality rates, and above-average population growth - according to reports by the United Nations Development Program and Food and Agricultural Organization. Despite a highly publicized trip by Deputy PM Abdullah Dardari to the northeast in October 2005 (ref A), as well as the region's prominence in the pending Tenth Five-Year Plan (ref B), contacts dismissed the SARG's plans

for economic reform and development. Private sector contacts with whom we spoke claimed that Dardari did not meet with them during his visit to Dayr, choosing instead to meet with Ba'ath Party members and the heads of state-owned companies. They therefore stated their belief that the upcoming Tenth Five-Year Plan - with its emphasis on private sector involvement - amounts to nothing more than rhetoric, and that new spending in the region most probably would enrich the same corrupt officials.

-----  
Dayr az Zawr: Lagging Development, Poor Prospects  
-----

13. (C) At the heart of Syria's oil-producing area, private sector contacts were uniformly pessimistic about the short to medium-term economic prospects for Dayr, estimating that its economy presently is at least ten years behind that of Damascus and Aleppo. All complained of a lack of basic infrastructure, with almost daily electricity outages, poor roads and inadequate sewage and water systems making Dayr a difficult place to live and do business. The absence of private banks and limited access to capital, the shortage of an educated workforce, with the first university - a satellite of Aleppo University - just opening this year, and the deficit in adequate health care services further depress the business climate, contacts opined. Additionally, contacts stated that Dayr feels isolated from Damascus and Aleppo, and cut off from historic trading partners in Iraq with the border crossing of Al-Bukamal closed. Finally, with production declining at the nearby Al-Furat oil fields at an estimated rate of 30,000 bpd annually (ref C), there is little evidence in the city of new oil company activity, and contacts had few expectations that any new investments would

DAMASCUS 00001782 002 OF 003

be brought on line. As a result, contacts say, the private sector is weak, comprised of only five companies that employ more than 50 workers.

14. (C) Contacts further expressed an overall lack of faith in the SARG's ability to improve the business climate and indicate that they do not intend to take on new investment risk in Dayr or the region until the SARG takes tangible steps to improve the investment climate. Although as much as 60 percent of the region's workforce is employed in agriculture, 70 percent of the farmland is still rain-fed despite previous SARG announcements that it is beginning ambitious irrigation projects. Contacts complained that there also has been no progress to date on a three-year old project to upgrade the city's sewage system, and large cement cylinders still line the roads obstructing traffic on the major thoroughfares. Unemployment and underemployment are chronic, contacts complained, and the number of new public sector jobs created each year is not enough to satisfy demand among new entrants or the currently employed who regularly hold two or three additional jobs to supplement their income.

One private businessman who owns a construction tools company laid the blame for the region's stunted development squarely on the government, contending that official corruption combined with a persistent shortage of resources continuously undermines progress.

-----  
Qamishli: Sectarian Divisions, Support from Abroad  
-----

15. (C) Like contacts in Dayr, Assyrian and Armenian businessmen in Qamishli stated that they feel removed from Damascus, that the regime has little influence over Qamishli, and that the area has naturally stronger economic ties to Iraq than Damascus. (Comment: Evidence of this sentiment could be witnessed in the streets of Qamishli, which displayed considerably less regime-based propaganda than those in Damascus. End comment.) Additionally, contacts say that Qamishli has been neglected by the regime, citing

desperately needed agricultural irrigation projects as an example. Nevertheless, contacts indicated that economic development in the city is less contingent on regime assistance or intervention, because remittances and expatriate tourist dollars from Sweden, Germany, Canada, and the U.S. have allowed several groups of ethnically-based investors to pool their money to fund private investment projects like tourism complexes and agricultural production facilities.

16. (C) Agriculture and tourism are pillars of Qamishli's economy. According to one contact, Hassake governorate (in which Qamishli is located) ranks third in the country in number of visitors each year, and one contact in Qamishli's tourism sector said that approximately 50 percent of the city's annual economic activity (about \$188 million/year) comes from expatriate tourism. Nevertheless, outside of expatriate-funded initiatives, overall private sector growth in Qamishli is limited to a few large enterprises - plastic production, transportation, oxygen/nitrate facilities, and agricultural processing - that employ no more than 250 people. According to contacts, salaries in Qamishli are cyclical, unstable, and primarily dependent on summer tourism and agricultural production. One source said that the economy in Qamishli is consumer-based, with 30 percent of its residents funding the consumption of the other 70 percent. While one would expect that Qamishli's geographic proximity to Iraq would strengthen cross-border trade ties, sources say that for now trade is well below pre-war levels.

17. (C) The sectarian divisions among three groups ) Christians, Kurds, and Arabs - in the residential and industrial areas of Qamishli are apparent. Furthermore, contacts in Qamishli believe that a demographic shift in the region is underway. As Christians (currently 20 percent of Qamishli's population) continue to emigrate, the Kurdish community is moving in and becoming increasingly influential. Assyrian and Armenian business contacts contend that in the past two years Kurdish demand for real estate (as well as their willingness to pay significantly more than the asking

DAMASCUS 00001782 003 OF 003

price for property) has resulted in a spike in property prices. One Assyrian business owner stated that in one year his office in the commercial district of Qamishli has more than doubled in value, while an Armenian contact shared a rumor that money for Kurdish investment in Qamishli is coming from Kurdish ties in Iraq. Our Assyrian and Armenian business contacts implied that the Kurds, who have traditionally filled low-skilled labor jobs in Qamishli, are tolerated because they are perceived to have a strong work ethic (unlike their Arab counterparts).

18. (C) Comment: Officers came away with three main observations from the trip to Dayr and Qamishli. First, the SARG's economic reforms - highly touted in the capital - have had little impact in the Northeast and there is a general lack of faith in the SARG's ability to develop the stagnant economy and control the region's poverty, unemployment and population growth. Second, historical, economic, and family ties link the region more closely to Iraq and Turkey than to Damascus. Third, the sectarian divide among Christians, Kurds, and Arabs is palpable in Qamishli and deepening with exponential growth in the Kurdish population. Contacts in Dayr appeared frustrated yet resigned to this status quo due generally to their low economic expectations. The Christians in Qamishli, the most affluent of the ethnic/sectarian groups, did not yet seem unduly threatened by the Kurdish population explosion, possibly because their primacy has not yet been impacted. However, as the economy continues to worsen, the status quo in both cities will come under increasing strain.

SECHE